

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 83rd General Assembly
3 Regular Session, 2001
4

A Bill

Act 975 of 2001
HOUSE BILL 2057

5 By: Representative Lowery
6 By: Senator Mahony
7

For An Act To Be Entitled

10 AN ACT TO AMEND THE ARKANSAS ECONOMIC DEVELOPMENT ACT
11 OF 1995, TO REDEFINE "DISTRIBUTION CENTER"; TO DEFINE
12 "HIGH UNEMPLOYMENT"; TO MAKE A TECHNICAL CORRECTION
13 TO THE DEFINITION OF "OFFICE SECTOR"; TO MAKE
14 TECHNICAL CORRECTIONS ON HOURLY AVERAGE WAGE
15 COMPUTATIONS; TO ALLOW FOR CREDITS FOR INVESTMENT
16 INSTEAD OF DEBT; AND FOR OTHER PURPOSES.
17

Subtitle

18 AN ACT TO AMEND THE ARKANSAS ECONOMIC
19 DEVELOPMENT ACT TO ADDRESS DEFINITIONS
20 FOR "DISTRIBUTION CENTER" AND "OFFICE
21 SECTOR"; TO MAKE TECHNICAL CORRECTIONS;
22 AND TO ALLOW FOR CREDITS ON INVESTMENTS.
23
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25

26 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
27

28 SECTION 1. Arkansas Code 15-4-1902(1)(B) is amended to read as
29 follows:

30 (B) ~~(i)~~ "Average hourly wage" is computed by using the total of
31 the net new full-time permanent employees' reported taxable earnings,
32 including overtime pay and one quarter (1/4) of the employee's annual bonus
33 amount, divided by the number of weeks worked during the most recent quarter,
34 divided by the average hours worked per week per net new full-time permanent
35 employee-

36 ~~(ii) One quarter (1/4) of the new employee's annual bonus~~

1 amount may be added to the reported taxable earnings;

2
3 SECTION 2. Arkansas Code 15-4-1902(5) is amended to read as follows:

4 (5) "Distribution center" means a facility for the reception, storage,
5 or shipping of:

6 (A) Of a business' own products or products which the business
7 wholesales to retail businesses or ships to its own retail outlets; or

8 (B) Of products owned by other companies with which the business
9 has contracts for storage and shipping if seventy-five percent (75%) of the
10 sales revenues are from out-of-state customers; or

11 (C) Of products for sale to the general public if seventy-five
12 percent (75%) of the sales revenues are from out-of-state customers;

13
14 SECTION 3. Arkansas Code 15-4-1902(6)(B)(ii) is amended to read as
15 follows:

16 (ii) All businesses in this group must derive at least
17 ~~sixty percent (60%)~~ seventy-five percent (75%) of their revenue from out-of-
18 state sales and have no retail sales to the general public;

19
20 SECTION 4. Arkansas Code 15-4-1902(6)(D)(ii)) is amended to read as
21 follows:

22 (ii) All businesses in this group must derive at least
23 ~~sixty percent (60%)~~ seventy-five percent (75%) of their revenue from out-of-
24 state sales and have no retail sales to the general public;

25
26 SECTION 5. Arkansas Code 15-4-1902(6)(E) is amended to read as
27 follows:

28 (E) A distribution center with no retail sales to the general
29 public, unless seventy-five percent (75%) of the sales revenues are from out-
30 of-state customers;

31
32 SECTION 6. Arkansas Code 15-4-1902(9) is amended to read as follows:

33 (9) "High unemployment" means an unemployment rate equal to or in
34 excess of ten percent (10%) or more than three percent (3%) above one hundred
35 fifty percent (150%) of the state's average unemployment rate for the
36 preceding calendar year as specified by statewide annual labor force

1 statistics compiled by the Arkansas Employment Security Department, when the
2 state's annual average unemployment rate is six percent (6%) or below. When
3 the state's annual average unemployment rate is above six percent (6%), "high
4 unemployment" means equal to or in excess of three percent (3%) above the
5 state's average unemployment rate for the preceding calendar year as
6 specified by statewide annual labor force statistics compiled by the Arkansas
7 Employment Security Department;

8

9 SECTION 7. Arkansas Code 15-4-1902(11) is amended to read as follows:

10 (11) "Office sector ~~business~~" means control centers that influence the
11 environment in which data processing, customer service, credit accounting,
12 telemarketing, claims processing, and other administrative functions that act
13 as production centers are performed;

14

15 SECTION 8. Arkansas Code 15-4-1903(2)(B)(i) is amended to read as
16 follows:

17 (B)(i) ~~The Department of Economic Development is authorized to~~
18 ~~negotiate with a business a financial incentive plan granting an income tax~~
19 ~~credit based upon the business' annual amount of debt service, principal, and~~
20 ~~interest paid to a lender in connection with the project financing. For~~
21 projects initiated after June 1, 2000, the Arkansas Department of Economic
22 Development is authorized to negotiate with a business a financial incentive
23 plan granting an income tax credit based on total investment, without regard
24 to how the project is financed, if it otherwise meets the qualifications of
25 this act. The annual credit earned shall be based on the total investment
26 divided by the term of the financial incentive plan.

27

28 SECTION 9. Arkansas Code 15-4-1903(2)(B)(iii) is amended to read as
29 follows:

30 (iii) The amount of the income tax credit that may be
31 claimed each year shall be negotiated in accordance with the following:

32 (a) When the average hourly wage, multiplied times
33 forty (40), of the net new full-time permanent employee is between one
34 hundred twenty-five percent (125%) and one hundred forty-nine percent (149%)
35 of the lesser of the county or state annual average weekly wage per employee,
36 the employer shall receive an annual income tax credit in the amount of fifty

1 percent (50%) of the employer's state income tax liability;

2 (b) When the average hourly wage, multiplied times
3 forty (40), of the net new full-time permanent employee is between one
4 hundred fifty percent (150%) and one hundred seventy-four percent (174%) of
5 the lesser of the county or state annual average weekly wage per employee,
6 the employer shall receive an annual income tax credit in the amount of
7 seventy-five percent (75%) of the employer's state income tax liability;

8 (c) When the average hourly wage, multiplied times
9 forty (40), of the net new full-time permanent employee is one hundred
10 seventy-five percent (175%) or more of the lesser of the county or state
11 annual average weekly wage per employee, the employer shall receive an annual
12 income tax credit in the amount of one hundred percent (100%) of the
13 employer's state income tax liability; and

14 (d) If the average hourly wage, multiplied times
15 forty (40), of the net new full-time permanent employee is less than one
16 hundred twenty-five percent (125%) of the lesser of the county or state
17 annual average weekly wage per employee, the employer shall receive no tax
18 credit under this section.

19
20 SECTION 10. Arkansas Code 15-4-1903(3)(B) is amended to read as
21 follows:

22 (B) The financial incentive plan shall specify the annual amount
23 of payments, including principal and interest, the business will make to the
24 lender in connection with the project financing and attach copies of the
25 business' loan documents which reflect the amount of the annual payments.
26 For projects initiated after June 1, 2000, and which qualify for the
27 incentives authorized by this subchapter regardless of financing, the
28 financial incentive plan shall specify the amount of tax credit to be earned
29 annually, based on estimates of total project investments, which shall be
30 limited to land, buildings and equipment, and divided by the term of the
31 financial incentive plan; and

32
33 SECTION 11. Arkansas Code 15-4-1905(3) is amended to read as follows:

34 (3)(A) ~~Specify the annual amount of payments, including principal and~~
35 ~~interest, the business will make to the lender in connection with the project~~
36 ~~financing~~ Specify the annual tax credit earned based on total investment

1 divided by the term of the financial incentive plan; and

2 (B) Attach copies of the business' loan documents which reflect
3 the amount of the annual payments, or documents reflecting the amount of
4 total investment in land, buildings and equipment;

5
6 SECTION 12. Arkansas Code 15-4-1905(6) is amended to read as follows:

7 (6) Specify that the tax credits can never exceed the total amount of
8 the debt service or, for projects initiated after June 1, 2000, the total
9 amount of the investment in land, buildings and equipment; and

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11 SECTION 13. Arkansas Code 15-4-1906(c)(1)(A) is amended to read as
12 follows:

13 (c)(1)(A) The Revenue Division of the Department of Finance and
14 Administration shall authorize an income tax credit ~~for the project debt~~
15 ~~service payments made by the business during that tax year~~ based on the total
16 investment in land, buildings and equipment divided by the term of the
17 financial incentive plan for each tax year.

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21 APPROVED: 3/20/2001
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